

17 June 1975

NOTE FOR THE DIRECTOR

SUBJECT: Murphy Commission Report

1. Attached is the "almost-final" draft of the Murphy Commission Report. The Commission will meet on Thursday and Friday, June 19 and 20, to resolve a few issues and to approve the report for printing. The only outstanding issues of which we are aware are:
(a) who should chair the NSCIC, a producer or a consumer; and
(b) should USIA remain independent or be absorbed by State.

STATINTL

2. The Commission staff has asked that we "informally" review this draft for both substance and security. I have given a copy to [] of the USIB Security Committee for the security review. If we do have any problems, we need to pass them along to the Commission by COB on Wednesday, June 18. The recommendations ^{begin} on page 7-4.

STATINTL

3. In addition to this draft which the Commission has given us, we also have access to a portion of another chapter which discusses control of communications facilities. The Commission does not know we have this, but Congressman Broomfield wanted you to be aware of the recommendation. He says that he is all alone in opposing this issue. We cannot comment on it, but you should be forewarned. These issues devolve on the larger question of sources and methods responsibilities of the DCI. I see little percentage of battling let on this managerial option.

STATINTL

AD/DCI/IC

Attachment: As stated

Dept of State review(s) completed.

June 16, 1975

CHAPTER 7

THE ORGANIZATION OF INTELLIGENCE

A. The Nature of the Problem.

The maintenance of intelligence capabilities of the highest competence is essential to the effective conduct of U.S. foreign policy. The world which American foreign policy seeks to affect is diverse, complex and rapidly changing. In such a world policy must be based on detailed understanding of many issues, military and economic, political and scientific, foreign and domestic. That understanding requires the collection and analysis of enormous quantities of information. Much of it is publicly available, appearing in reports of government agencies and of private businesses, the reporting of the press, or publications of scholars. But some of the most critical information -- especially though not solely, information concerning the military activities and capacities of potential antagonists -- is not openly available.

The responsibility for gathering, evaluating and reporting such information, and for assessing its significance in combination with data openly available, is the primary mission of the U.S. intelligence community.

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The Commission believes that mission will remain crucial to U.S. security, and to international stability and peace for the foreseeable future. It also believes, however, that, to assure the more effective performance of that mission, a number of organizational changes should be made in the management composition and operation of the intelligence community.

Standards of Performance. Intelligence in a democracy must meet three main tests. First, it must respond to the evolving needs of national security decision-makers: its estimates and analyses must address the questions of real concern, and do so at high levels of competence and integrity. The second test is economy. Intelligence is a necessity, and some forms of intelligence gathering are extraordinarily expensive. Where unavoidable such costs must be borne; where unnecessary they must be avoided. Thirdly, the U.S. intelligence community must operate in such a manner as to command public confidence.

It is against principally the first two of these standards that we have reviewed current performance and projected future needs, leaving the third largely

to the several Executive and Congressional bodies now focused especially on that problem. But we believe that our recommendations will be helpful in improving performance against that third crucial standard as well.

We believe that with respect to both the responsiveness of intelligence to the needs of policy, and the principle of reasonable economy of effort, current performance of the intelligence community can be improved. The difficulties in achieving improvement are considerable, however, because they are rooted in the very nature of the intelligence community. The key characteristic of that community is that it is made up of a large number of separate entities which embody differing histories, distinct missions, and separate lines of command. It is both necessary and useful that the community be composed of many elements, but that characteristic makes central direction and oversight difficult. Among the results, we believe, have been some excesses in the collection of information and gaps in its analysis; the occasional development of costly systems not because requirements demanded them but because technology permitted them; as well as occasional failures to observe those standards of conduct

which should distinguish the behavior of agencies of the U.S. government.

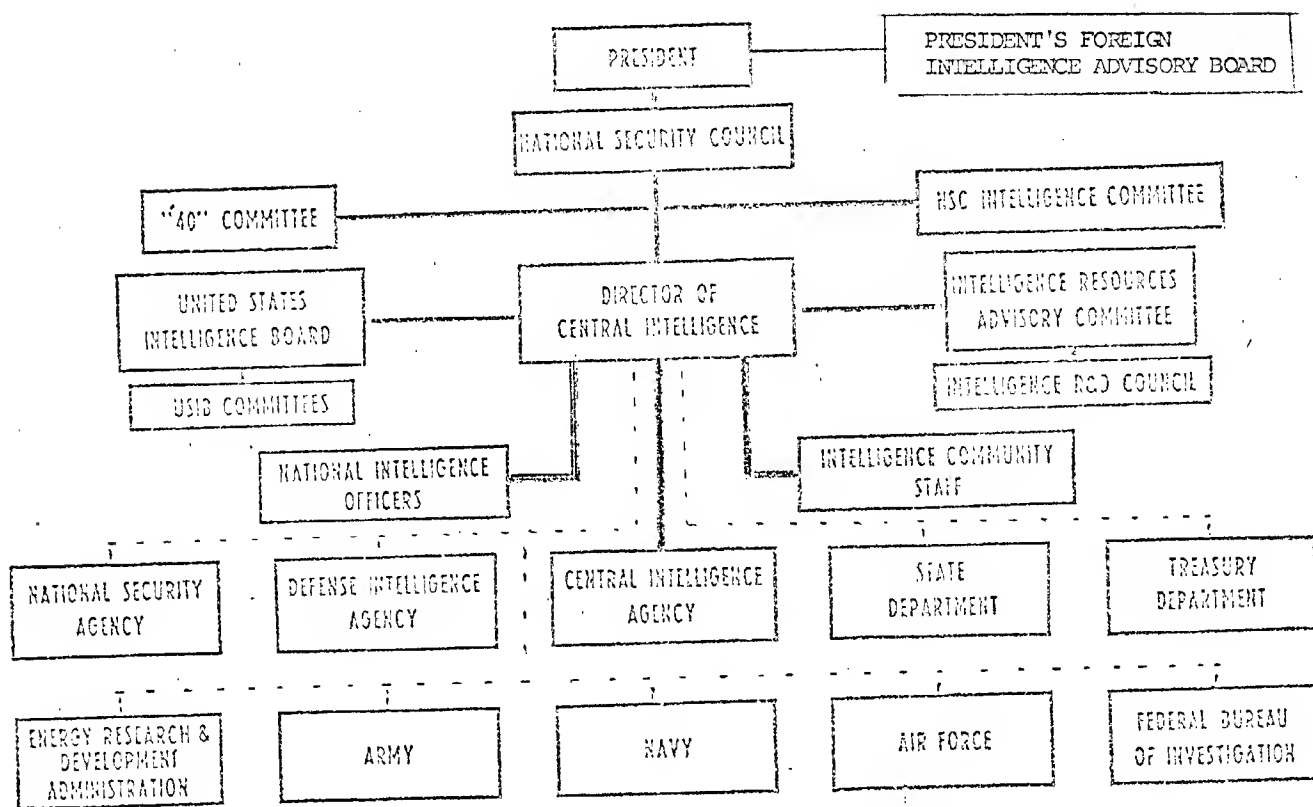
These findings are broadly consistent with those of many prior studies, and considerable progress in remedying the problems has been made. We believe that more is possible, however. In particular we believe that firmer direction and oversight of the intelligence community are essential. That is the main thrust of our recommendations. We detail them below, following a brief description of the intelligence community as now constituted.

B. The Intelligence Community.

The various major agencies of the intelligence community are shown on the following page.

Central Intelligence Agency. Established in 1947, the CIA was mandated principally to correlate and evaluate foreign intelligence relating to the national security; to recommend to the NSC methods for the coordination of intelligence; and to perform for existing intelligence agencies services of common concern which the NSC determined could be more efficiently accomplished centrally. The agency was also authorized "to perform such other functions and duties as the NSC may from time to time direct," language which has been interpreted

NATIONAL INTELLIGENCE COMMUNITY STRUCTURE



to grant authority for covert action not limited to the acquisition of information. The agency was specifically denied any "police, subpoena, law enforcement powers, or internal security functions."

To accommodate the secrecy of its work, CIA has authority to expend funds solely on the certification of its Director, to negotiate purchases without publicly soliciting bids, to transfer funds and people between government agencies. It is also exempt from the laws requiring disclosure of its organization, functions, and budgets, and the identity of its employees.

CIA is headed by a Director and Deputy Director, both appointed by the President and confirmed by the Senate. One or the other has always been drawn from military life. The Director of Central Intelligence (DCI) has two quite separate functions. He is responsible for all activities of the CIA, but is also the principal intelligence adviser to the President and NSC, and thereby responsible for coordinating the activities of the entire intelligence community. As suggested below, the latter responsibility has never been fully carried out.

Bureau of Intelligence and Research (INR). This bureau of the State Department is devoted to the assessment

rather than the collection of intelligence. Much the smallest of the major intelligence agencies, it serves principally the needs of policymakers in the State Department, but also contributes to common analytic products of the intelligence community and specifies State's intelligence requirements. INR manages the State Department's programs for external research and provides departmental policy guidance for intelligence operations conducted by other agencies.

Defense Intelligence Agency. DIA provides intelligence support to the Joint Chiefs of Staff and the Secretary of Defense. It prepares its own intelligence assessments and coordinates Department of Defense (DOD) input to the production of national intelligence. It also manages the Defense Attache system and various other special intelligence programs. Though responsible for inducing economy and efficiency in the management of all DOD intelligence resources and for issuing defense intelligence requirements, DIA cannot control those resources, which remain under the authority of the Secretary of Defense and the direction of the individual armed services.

National Security Agency. NSA, largest of the intelligence agencies in personnel despite considerable

contraction in recent years, is a semi-autonomous cryptologic agency of the Defense Department responsible principally for monitoring foreign communications and other signals for analysis by other agencies. NSA is also responsible for protecting the security of U.S. communications.

Each of the armed services maintains its own cryptologic agency, however, which both manages facilities on behalf of NSA and meets the special requirements of its own service.

Program for Overhead Reconnaissance: A semi-autonomous office within the Defense Department, with the largest budget of any intelligence agency, operates overhead reconnaissance programs for the entire intelligence community. The program is given general direction by the DCI and the Assistant Secretary of Defense for Intelligence, and responds to specific requirements determined by a committee of the U.S. Intelligence Board (USIB).

Army, Navy and Air Force Intelligence: Each of the armed services maintains sizable intelligence organizations. All participate in the production of national intelligence and have responsibilities to meet the tactical intelligence requirements of field

commanders, to protect the security of armed services installations and personnel, and to gather technical intelligence on the weaponry of their counterpart services in other countries.

Other Agencies: The intelligence units of the FBI, Treasury Department, and Energy Research and Development Administration are also formally part of the intelligence community, contributing specialized foreign intelligence on matters within their jurisdictions.

Direction of the Community. Two committees of the NSC contribute to the overall direction of the community:

-- the Intelligence Committee (NSCIC) intended to provide a forum in which policymakers - consumers of intelligence - can inform collectors and analysts of their interests and requirements.* The NSCIC has two subcommittees: a Working Group, headed by the

* Members: Assistant to President for National Security Affairs (Chairman)
Director of Central Intelligence (Vice-Chairman)
Deputy Secretary of State
Deputy Secretary of Defense
Chairman, JCS

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DCI's Deputy Director for the Intelligence Community, and the Economic Intelligence Subcommittee, chaired by the Assistant Secretary of the Treasury for International Affairs.

-- the 40 Committee, which must approve covert actions and other high risk operations.**

In addition there exists a U.S. Intelligence Board (USIB), composed of all major U.S. agencies with intelligence responsibilities, and the Intelligence Resources Advisory Committee (IRAC) on which both the intelligence community and the Office of Management and Budget are represented. Both are chaired by the DCI. USIB's responsibilities are principally to advise the DCI on the establishment of intelligence requirements and priorities, the production of national intelligence estimates, and the protection of intelligence sources and methods: IRAC is intended to advise the DCI on the allocation of resources throughout the community.

** Members: Assistant to President for National Security Affairs (Chairman)
Under Secretary State for Political Affairs
Deputy Secretary of Defense
Chairman, JCS
Director of Central Intelligence

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Finally, at the Presidential level, there exists a President's Foreign Intelligence Advisory Board (PFIAB). Members of PFIAB are private citizens appointed by the President, served by a 2-man staff whose head is also appointed by the President. PFIAB's principal responsibilities are to "advise the President concerning the objectives, conduct, management and coordination of the various activities making up the overall national intelligence effort;" and to consider and make recommendations concerning matters brought to its attention by the intelligence community. It can request staff assistance and special studies from intelligence agencies to augment its own efforts.

C. Toward More Effective Oversight and Leadership.

None of the three major purposes this Commission seeks to advance can be met without effective community-wide leadership of U.S. intelligence. Neither responsiveness to the needs of decision-making nor economy of operation nor adherence to standards of conduct can be insured unless the intelligence community as a whole is subject to adequate supervision, and made accountable for its activities. Achieving that end has proven extraordinarily difficult. Many commissions and many presidents have sought improvements,

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and steady evolution in the right direction has resulted. But we believe that additional steps are now necessary.

Sources of the Problem. The difficulty of the problem arises from several causes. We have already referred to one: the community consists of many agencies, with differing objectives, traditions, and lines of command. Another is suggested by the sketch of the community offered above: the great bulk of its budget and manpower falls within the Department of Defense. Yet the Secretary of Defense clearly cannot and should not also serve as the nation's chief intelligence officer. A third arises out of the promise of technology. Where rapid developments in technology promise new capabilities, it is a common tendency for organizations to acquire those technologies without examining closely whether the capabilities are really necessary. That has been true of the intelligence community.

Prior efforts to deal with this situation have taken several forms. Presidents have used advisory boards reporting to them (PFIAB and its predecessors) to help monitor the community. Committees of the NSC (NSCIC, 40 Committee) and of principals of the intelligence agencies (USIB and IRAC) have been charged with

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some aspects of coordination. We believe both devices are appropriate, and make recommendations for their extension below. Since the creation of CIA in 1947, however, the central figure in the direction of the intelligence community has been the Director of Central Intelligence. In addition to his responsibilities for CIA, the DCI has been charged with the oversight and leadership of the entire intelligence community.

From the beginning this arrangement has worked only partially. Having line authority over their own agency, but only limited influence over other intelligence units, DCIs have tended, especially in the early years, to devote themselves almost entirely to CIA affairs. On the authority of directives issued in 1971, DCIs have given considerably more attention to their community-wide responsibilities, and created an Intelligence Community (IC) Staff to assist them in that effort. But the Commission believes that an additional step is now necessary.

The Crucial Role of the President. It is neither possible nor desirable to give the DCI line authority over that very large fraction of the intelligence community which lies outside the CIA. If he is to effectively supervise the whole community, however,

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there is only one substitute for such authority, and that is a close relationship with the one official who does ultimately command each of the separate strands of that community: the President. We think it essential, therefore, that to meet his community-wide responsibilities the DCI become a staff officer with direct access to the President. We recommend, that

the DCI should have an office in close proximity to the White House and be accorded regular and immediate contact with the President.

In addition, the DCI would retain responsibility for the CIA, spending whatever time at CIA headquarters may be necessary. But he would delegate much of the authority for direction of that agency to his deputy. In stressing his staff relationship to the President, we do not mean to diminish the DCI's responsibilities to the Congress. He would continue to be confirmed by the Senate and to be available to testify and otherwise to confer with the appropriate committees of the Congress.

We believe, moreover, that, to make clear the solely foreign responsibilities of the Central Intelligence Agency and of its Director,

the CIA should be retitled the Foreign Intelligence Agency (FIA), and its Director the Director of Foreign Intelligence (DFI).

We believe that certain modest extensions of the DCI's current responsibilities for community-wide planning and budgeting are also appropriate, and make specific recommendations to these ends in the pages below.

It is obviously useful for persons appointed to the DFI rank to have had some prior experience in intelligence matters. But the crucial characteristics for this position will be broad understanding of foreign and national security affairs, managerial skill, sensitivity to the constraints within which an American intelligence service must operate, independence and high integrity. The DFI should normally therefore be a person of stature from outside the intelligence career service, although promotion from within should not be barred. And the DFI must be someone in whose judgment the President has great confidence. Without Presidential backing the DFI's community-wide role will not materialize.

A Strengthened PFIAB. In view of the special importance and sensitivity of intelligence, the Commission believes

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the President should have sources of advice independent of the DFI. The PFIAB should become the principal such source. In the past, PFIAB has played an important role in the development of technical collection systems, in conducting useful analyses of apparent intelligence failures, and in directing attention to new issues for intelligence concern. But we believe the Board should play a larger role -- the steady, external and independent review of the performance of the foreign intelligence community as a whole. Both the objectives and the methods of U.S. intelligence in a rapidly changing world require such review from outside the community, and that a strengthened and well-utilized PFIAB would be best situated to perform

it. We recommend, therefore, that

- . each incoming President make such changes in PFIAB's membership as may be required to give him high personal confidence in that body's values and judgment; that
- . he make himself directly available to the Chairman of PFIAB upon the latter's request;
and that
- . the PFIAB staff should be increased in size, and drawn in part from sources outside the intelligence community.

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Covert Action: A Special Problem. To this point we have addressed only the intelligence activities of the intelligence community. But in addition to those endeavors, the community - specifically CIA - has also been responsible for another activity which poses special problems of oversight and control. This is covert action, activity abroad intended not to gather information but to influence events, an activity midway between diplomacy and war. It has taken many forms, from the financial support of friendly publications to the mounting of significant paramilitary efforts.

The Commission has considered whether covert action should any longer be authorized at all. It recognizes that there are many risks and dangers associated with covert action. Partly for these reasons the use of covert action in recent years has markedly declined.

But we must live in the world we find, not the world we might wish. Our adversaries deny themselves no forms of action which might advance their interests or undercut ours, as quite recent as well as past events demonstrate. In many parts of the world a prohibition on our use of covert action would put the U.S. and those who rely on it at a dangerous disadvantage.

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We conclude, therefore, that

covert action cannot be abandoned, but that
it should be employed only where clearly
essential to vital U.S. purposes and then
only after a careful process of high level
review.

The current process for approval of covert action involves the submission of proposals to the 40 Committee. The Committee approves or disapproves, and its chairman, the Assistant to the President for National Security Affairs, issues appropriate instructions. In recent years, however as authorizations have decreased in number, the procedures of the Committee have become quite informal. Partly as a result of the burden of its chairman's other responsibilities, it has rarely met. Proposals have usually been carried from department to department, and committee members have given their views to the chairman by phone.

Key officials outside the Committee have sometimes not been consulted; occasionally -- by Presidential order -- even the Committee itself has been bypassed. Once approved, actions have rarely been evaluated.

We believe present practices are inadequate. The sensitivity and risks of covert action require broader

review and genuine consultation. The Committee therefore proposes that:

- . Covert action should not be authorized by the 40 Committee except after collegial consideration of its risks and benefits by all available Committee members, and that
- . Besides granting initial approvals for covert and high-risk actions, the 40 Committee should regularly review the utility and appropriateness of such activities still being pursued.

In addition to requiring careful review within the executive branch, the Commission believes that covert action must be known to the Congress. We believe that a Joint Committee of the Congress on Intelligence would be the appropriate body to receive such information. We also believe that the current requirement of law that the President personally certify to the Congress the necessity for all covert actions is harmful in associating the head of State so formally with such activities. We propose therefore, that

PL 93-559 be amended to require reporting of covert actions to the proposed Joint

Committee on National Security, and to
omit any requirement for the personal
certification of the President as to their
necessity.

D. Toward Responsiveness: Improving the Relevance
and Quality of Intelligence.

Relevance. Intelligence is not an end in itself; to be useful it must assist policymakers meet their responsibilities for the national security. To do that, intelligence must provide answers to the questions central to the formulation of policy. The intelligence community cannot identify those questions alone; only policymakers can do so.

The solution in theory is easy. Policymakers at all significant levels must regularly inform appropriate elements in the intelligence community of trends in the evolution of policy which may set new intelligence requirements. They must make clear what questions they need answered -- and with what timing and in what degree of detail. And they must provide pointed evaluations of current intelligence products. But practice is harder. Policymakers are few and overburdened. Even when dissatisfied with intelligence, they are rarely willing or able to devote substantial time to

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determining the causes of inadequacy, and correcting them. The result is that the work of the intelligence community becomes largely responsive to its own perceptions of what is important, and more irrelevant information is collected, sometimes drowning out the important.

As a result of attention to this problem in recent years, the National Security Council Intelligence Committee (NSCIC) was established to provide guidance on consumer needs and intelligence requirements, USIB was broadened by inclusion of a representative of the Treasury Department, the DCI was assigned a stronger mandate to establish requirements and to develop comprehensive community-wide plans, and the Intelligence Community Staff was established to assist the DCI especially in assessing community performance and in monitoring consumer interests.

Building on these reforms, the DCI then inaugurated several additional innovations. His IC staff began developing five-year community-wide plans, and formulating "Key Intelligence Questions" to reflect the concerns of principal intelligence consumers. The DCI also replaced the old Board of National Estimates with individual National Intelligence

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Officers (NIOs) responsible for responding to consumer requests and for personally supervising the production of National Intelligence Estimates.

Most of these new steps are proving useful, but the major reform on which they all largely depend, the NSCIC, has failed to function. We believe it is important to correct this situation. In his capacity as assistant to the President for foreign intelligence, the DFI should have both the authority and the incentive to utilize the NSCIC effectively. We therefore propose that

the DFI be made Chairman of the NSCIC,
utilizing it as the principal forum for
the resolution, short of the President,
of the differing perspectives of intelli-
gence consumers and producers. The
President's National Security Advisor should
be a member of the Committee.

Improving the Quality of Analysis. To meet the needs of decision-makers, intelligence must not only address the key questions; it must do so at the highest levels of analytic competence and integrity. To help maintain those standards the Commission makes recommendations of four kinds.

The first and most important involves the more effective utilization of the State Department's routine Foreign Service reporting. A series of recommendations for sharpening the focus and improving the quality of that under-utilized resource appear at pages , in Chapter 9, on the functions and organization of the Department of State.

The second proposal involves economic intelligence. As the economic content of foreign policy increases, it is crucial that accurate and far-sighted analyses of global demand and supply problems, emerging international trade and investment opportunities, and international monetary matters be available to foreign policy decision-makers. Unlike military intelligence, which frequently requires enormous investments in data gathering, most economic issues do not depend upon secret information. The key to their understanding lies in highly competent analysis of readily procurable data. Commendably, CIA has greatly strengthened its capability for economic analysis in recent years. But -- with some exceptions -- this is not a field in which CIA, or the intelligence community generally, has a strong comparative advantage. Moreover, though duplication in large-scale data-

gathering is expensive and wasteful, competition in analysis is relatively cheap and highly desirable.

We recommend, therefore, that

while the intelligence agencies should retain and exercise their improved competence in the analysis of international economic issues, the Departments of State, Treasury, Commerce, and Agriculture, and the Council of Economic Advisors must maintain similar capabilities focused on the analysis of issues involving their own responsibilities. We believe that in all four of the Departments, those capabilities should be significantly strengthened.

Thirdly, we propose a modification to the NIO system. Prior to 1973, National Intelligence Estimates (NIEs), the formal expressions of the intelligence community's best judgment on major issues, were produced by a Board of National Estimates. But that collegial process tended to produce better estimates of what the community could agree upon than what policymakers needed to know. The Board has been replaced by some eleven individual National Intelligence Officers (NIOs), each charged with insuring the responsiveness of NIEs to policy needs in particular

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substantive areas. NIEs are now drafted by individual experts selected by the NIO from various intelligence agencies. Predictably, the gains in responsiveness of estimates have been somewhat offset by problems of reliability, and the practice of requiring officers already bearing other responsibilities to undertake the production of NIEs has created unnecessary burdens. Most important, NIEs appear to have little impact on policymakers today, in large part because key consumers prefer to base their own estimates of future developments on competing sources of information and analysis. NIEs have lately begun to reflect more clearly differences in view within the intelligence community, but we believe that this process should be intensified.

For these reasons we propose that

a small staff of the highest quality, drawn from within and without the Intelligence Community and responsible for the drafting and review of NIEs should be established, reporting directly to the DFI. This staff should be charged with reporting clearly any important differences in the views of concerned agencies, and the reasons for such differences.

Finally, we note that while investing very large sums in sophisticated technical means of intelligence collection, the community has tended to slight the contribution that only human sources can make. On many subjects, the completeness and accuracy of intelligence estimates depends on factors of intention and motivation that only human sources can provide. We believe that efforts to maintain and utilize such sources should be enlarged and strengthened.

E. Making More Efficient Use of Intelligence Resources.

Resource management, like other major problems of the intelligence community, has received considerable attention in recent years. Two recent institutional innovations - the IC Staff and IRAC - have proven useful, and the combination of organizational change and the personal concern of recent DCIs and Secretaries of Defense have produced a very substantial cutback in intelligence personnel and a leveling of the intelligence budget over the past several years.

The Consolidated National Foreign Intelligence Budget developed by the DCI in each of the past several years has presented a comprehensive overview of the intelligence effort useful to the budgetary review of OMB, the President, and the Congress. And the DCI has developed an annual analysis of the political, economic,

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and security environment anticipated in the next five years, called "Perspectives for Intelligence," which should make possible more comprehensive community-wide planning of activities and consequent allocations of budget.

We believe two evolutionary steps would now be useful.

Under the direction of the DFI, the IC staff should expand "Perspectives for Intelligence" into an annually revised multi-year plan for the allocation of responsibilities across the intelligence community. The plan should be reviewed in USIB and approved by the NSCIC.

On the basis of the multiyear plan, the IC staff should prepare an annual Consolidated Foreign Intelligence Budget. After review by IRAC and OMB, this document should guide the budget submission of each of the agencies and departments of the intelligence community to OMB. The DFI, moreover, should participate with the Director of OMB in the review of all intelligence budget requests.

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Executive Registry

175-1617

FROM:

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Legislative Counsel

DATE

2 April 1975

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OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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Attached is the draft report of the Murphy Commission that I mentioned at this morning's meeting. It has been passed to us informally and somewhat confidentially for any comments which we might care to make to Representative Broomfield on it. I would like any thoughts you want to convey on this by close of business Friday, 4 April.

STAT

George L. Cary
Legislative Counsel

cc: DCI, DDO, DDI, DDA,
DDS&T, OGC